

# **EXHIBIT 23**

## **PUBLIC VERSION**

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13 UNITED STATES DISTRICT COURT  
14 NORTHERN DISTRICT OF CALIFORNIA  
15 SAN JOSE DIVISION

16 IN RE: HIGH-TECH EMPLOYEE  
ANTITRUST LITIGATION

17  
18 THIS DOCUMENT RELATES TO:  
19 ALL ACTIONS

Case No. 3:11-cv-2509-LHK

**DECLARATION OF LORI MCADAMS IN  
SUPPORT OF DEFENDANTS'  
OPPOSITION TO PLAINTIFFS' MOTION  
FOR CLASS CERTIFICATION**

Date: January 17, 2013  
Time: 1:30 p.m.  
Courtroom: 8, 4<sup>th</sup> Floor  
Judge: Hon. Lucy H. Koh

Date Consol. Amended Compl. Filed:  
May 4, 2011

Trial Date: Nov. 12, 2013

1 I, Lori McAdams, state and declare as follows:

2 1. I am the Vice President of Human Resources and Administration at Pixar  
3 Animation Studios (hereinafter "Pixar"), one of the defendants in the above-captioned action. I  
4 make this declaration in support of Defendants' Opposition to Plaintiffs' Motion for Class  
5 Certification. Except where expressly stated, I have knowledge of the facts set forth herein, and if  
6 called to testify as a witness thereto, could do so competently under oath. Except where expressly  
7 stated, the statements in this declaration relate only to Pixar's employees in the United States.

8 2. I have worked at Pixar since April 2004. In my position as Vice President of  
9 Human Resources and Administration at Pixar, I have become familiar and am familiar with  
10 Pixar's compensation policies, practices, and procedures. I participate in the establishment of  
11 compensation policies and budgets for Pixar employees.

12 **A. Pixar's business and workforce**

13 3. Pixar is an Academy Award-winning film studio with world-renowned technical,  
14 creative, and production capabilities in the art of computer-generated animation. Pixar's primary  
15 line of business is making computer-generated animated films. Pixar also licenses its industry-  
16 standard RenderMan computer graphics rendering software for the creation of visual effects.

17 4. Pixar employs a highly-diverse work force, some with highly specialized skill sets.

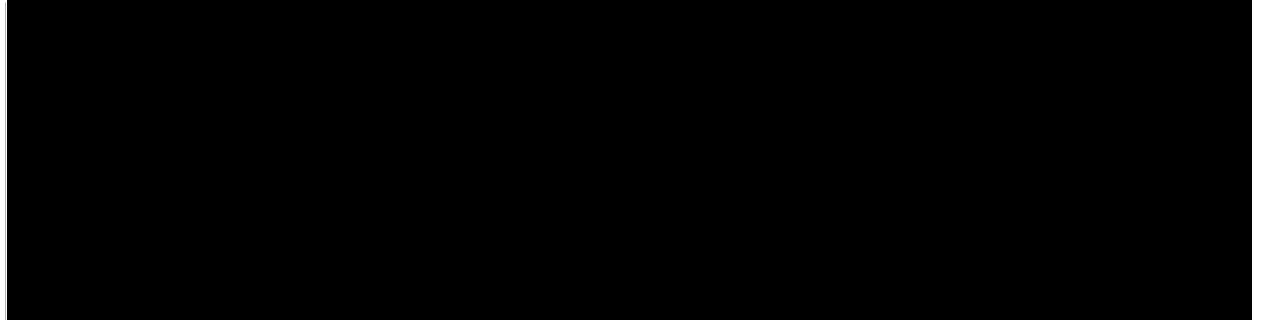
18 5. As of December 31, 2009, Pixar had 439 FLSA-exempt, non-retail employees who  
19 fell into 171 separate job titles. These numbers have varied over the years but were roughly in the  
20 same ballpark from 2005-2009, the period during which I understand that the Plaintiffs in this  
21 case have asserted Pixar's compensation was suppressed below competitive levels.

22 **B. Pixar's compensation policies**

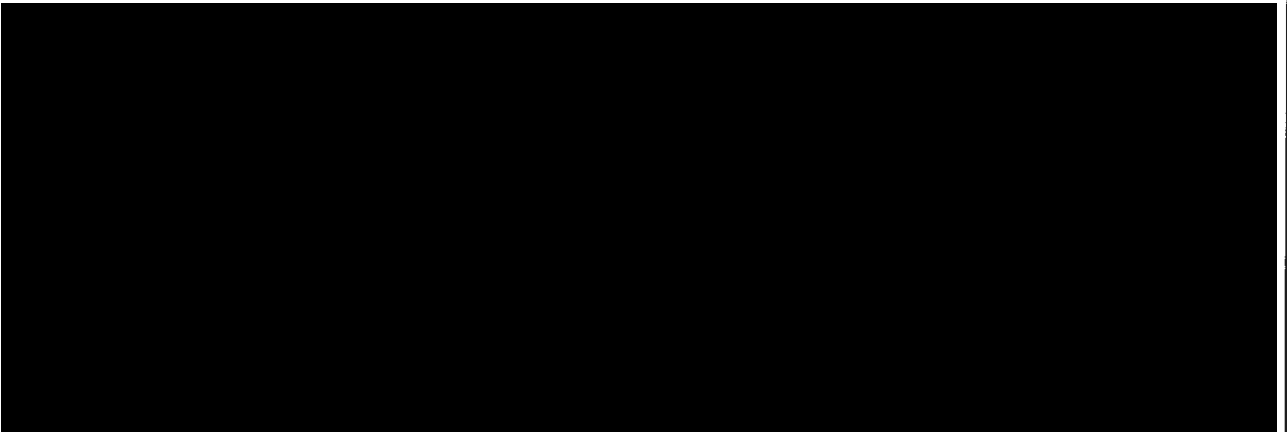
23 6. When I started at Pixar in April 2004, Pixar was a public company. The elements  
24 of compensation for Pixar employees included an equity-based long term incentive program, base  
25 salary, film bonuses, and benefits. In May 2006, Pixar was acquired by The Walt Disney  
26 Company ("TWDC") and became a wholly-owned subsidiary of TWDC. Following Pixar's  
27 acquisition by TWDC, in January 2009, Pixar converted its long-term incentive compensation  
28 program to a cash-based program. From January 2009 forward, the common elements of

1 employee compensation at Pixar have been base salary, long-term-incentive cash grants, cash  
2 film bonuses awarded based on the success of Pixar's films, and benefits.

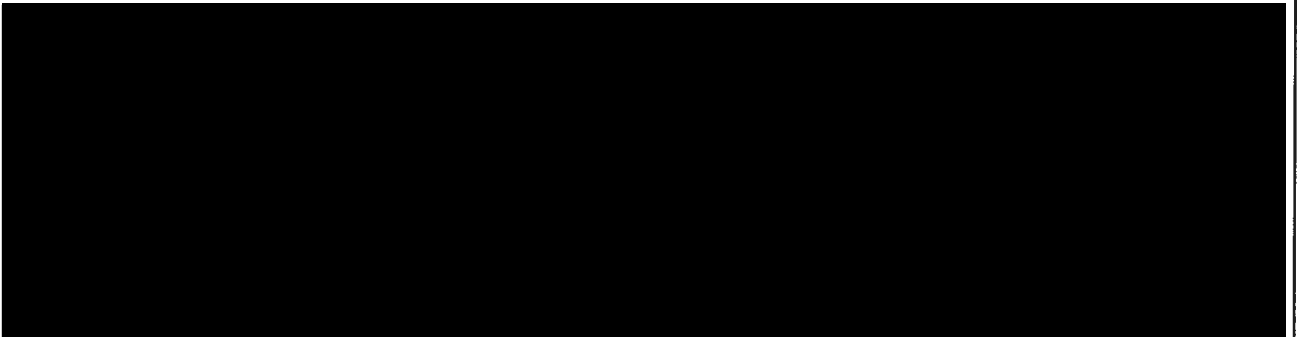
3 **1. Base salary and use of market survey data**



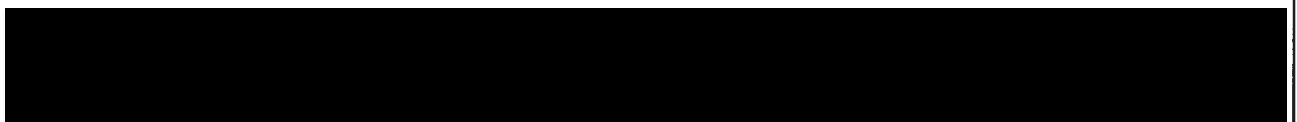
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9 8. Each position at Pixar has a salary range. Throughout my tenure at Pixar, we have  
10 relied primarily on consultant-conducted benchmarking surveys to set base salary ranges.



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18 10. For as long as I have worked at Pixar, a particular employee's compensation level  
19 within a base salary range has been dependent on that employee's experience and performance



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25 11. For example, Pixar has employed technical directors ("TDs"), who work with



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28 experienced if they do consistent, high-quality work, or if they take on more responsibility.

1           12.     During my entire tenure at Pixar, we have relied on two salary surveys for  
2 information about salary ranges at other companies for specific jobs for which benchmarking is  
3 available (excluding positions like Pixar's kitchen staff and sketch artists).

4           13.     First, Radford survey data has been Pixar's primary data source for salary ranges  
5 for Pixar's RenderMan team of software engineers, for information technology positions, for  
6 software engineers working on Pixar's proprietary software, and for business positions, including  
7 finance, legal, human resources, administrative employees, and facilities positions. Using the  
8 Radford survey, Pixar has benchmarked compensation for these positions against salary data  
9 collected from companies that are included in Radford's report. Since 2007, Pixar has  
10 benchmarked its compensation against companies in Radford's San Francisco Bay Area report.  
11 This year, I understand that this report included salary data from over 350 companies. I  
12 understand that the report included data from hundreds of companies in prior years as well.

13           14.     Second, Pixar has used nationwide data from the Croner Animation and Visual  
14 Effects survey to determine compensation ranges in the animation and visual effects industry for  
15 production and creative positions. Using the Croner survey, Pixar has benchmarked  
16 compensation for these positions against other film studios.

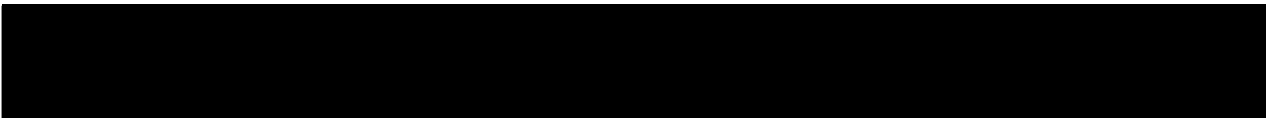
17           15.     Pixar has evaluated its base salary ranges each year. Salary information obtained  
18 by employees who were "cold-called" has not been considered when analyzing market  
19 compensation. Instead, the Human Resources Department provided each Pixar manager with  
20 survey-related data for relevant positions and a salary increase pool. Managers then  
21 recommended salary increases for individual employees within their department, and Pixar's  
22 senior management team approved the final salary levels. The pools available for base salary  
23 increases have been fixed, so that a raise awarded to one employee necessarily meant that less  
24 money was available for other employees.

## 25                   2.     Long-term incentive program

26           16.     From April 2004 through December 2008, Pixar had an equity-based long-term  
27 incentive program. Through that program, employees were awarded stock option grants on a  
28 yearly basis. The pool of stock option grants was set once a year at a company-wide level. Each

1 department manager was then given a set amount to allocate among the employees within his or  
 2 her department. Managers recommended grants for each employee, and senior management  
 3 signed off on final stock option grants to each employee.

4 17. In January 2009, Pixar converted its long-term incentive program to a cash-based  
 5 program. Long-term incentive grants have since been awarded per film (currently annually) out

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 8 available in the form of long-term incentive cash grants. Managers are provided with a set pool  
 9 to allocate among employees in their departments and use their discretion within parameters to  
 10 recommend awards based in part on an employees' performance. After the managers recommend  
 11 allocations within their department, Pixar's senior management team reviews and signs off on the  
 12 final cash grants.

### 13 3. Film bonus program

14 18. For as long as I have worked at Pixar, we have also had a film bonus program.  
 15 After a film was released and the company was able to assess its profitability, if the film was  
 16 profitable, Pixar paid a film bonus to every employee of the company. The bonus amount was  
 17 determined based on the film's success, and for most employees it was set as a percentage of  
 18 salary, calculated to equal a certain number of weeks of pay. Film bonuses were typically paid  
 19 approximately four weeks after the film's DVD release, which occurred about five months after  
 20 the film's theatrical release. Since 2006, Pixar has released its feature films in the summer and  
 21 has paid bonuses before the end of each calendar year. Once the bonus amount was determined,  
 22 expressed in a certain number of weeks of pay, almost every employee -- from the president to  
 23 the receptionist -- received a bonus equivalent to that set number of weeks of pay. The amount  
 24 was pro-rated for employees who had worked at Pixar for less than a year, and the newest  
 25 employees (and temps) received a small, fixed amount.

### 26 C. How Pixar sets compensation for new hires

27 19. During my tenure at Pixar, when Pixar has hired a new employee, Human  
 28 Resources has worked with the manager of the relevant department to determine what job

1 category and salary range will apply to the new employee. If the position was a new position, the  
2 manager determined the appropriate salary range based on (a) a comparison with existing  
3 positions and employees; and (b) the relevant external survey data set forth above. The recruiter  
4 would consult with the manager before making an offer to a specific candidate, after the  
5 candidate had been interviewed and his or her qualifications assessed by the relevant department.  
6 In determining what salary to offer a candidate, the manager and recruiter considered the salary  
7 range for the position and the candidate's skills and experience.

8 20. During the time I have worked at Pixar, we have strived to provide what we  
9 believe is an appropriate and best offer to candidates, rather than a lower offer that was subject to  
10 negotiation. After Pixar made an offer, if a candidate asked for a higher base salary, Pixar usually  
11 declined to raise the offer. Rather than raise the base salary offered to the candidate, Pixar  
12 worked to educate the candidate about the total compensation and benefits package available at  
13 Pixar, including the long-term incentive program, the film bonus program, and Pixar's other  
14 benefits, including health and life insurance, child care, 401(k) plan, vacation and holiday pay,  
15 and perquisites including parties, screenings, in-house educational opportunities, and campus  
16 facilities such as the gym, pool, basketball court, and soccer field.

17 **D. Adjustments to base salary and long-term incentive cash grants**

18 21. Since at least the fall of 2004, Pixar has evaluated its base salary ranges in the fall  
19 of each year. Managers send to my department their recommendations for base salary increases  
20 and long-term incentive grants for the employees in their respective departments before the  
21 December holidays. Along with senior management, I then review the managers'  
22 recommendations. We set final base salaries and long-term incentive cash grants for each  
23 employee in January. We communicate the information to employees in late February or early  
24 March, and the new base salary levels go into effect retroactive to January 1st.

25 22. It has been rare for Pixar to award an out-of-cycle base salary raise to an  
26 incumbent employee. There have been few instances in which an out-of-cycle base salary  
27 increase has been awarded, and in each instance it was awarded to a single employee, within that  
28 employee's base salary range, rather than to all employees who held that position. It has been



1 more common, but still unusual, for Pixar to award a performance bonus out-of-cycle. This has  
2 happened when an employee performs a job that is above his or her level; for example, a  
3 coordinator steps into a role as a leader of a group because the leader was out on leave. In these  
4 circumstances, Pixar has given the employee a bonus at the end of the period in which she  
5 stepped into that role to recognize and thank her for her role. These out-of-cycle performance  
6 bonuses have been paid on average approximately 20 times per year.

7 23. Since I have worked at Pixar, we have not had a company-wide policy for  
8 responding to current employees who receive offers from other companies. Any response has  
9 been subject to the discretion of each individual employee's manager in consultation with my  
10 department and senior management. If an individual employee received greater compensation in  
11 response to an offer from another company, it would not have affected compensation throughout  
12 the company, or even within the employee's business unit, job family or salary range. Rather,  
13 total compensation has been determined by analysis of market compensation, individual  
14 performance, and the success of our films as described above.

15 I declare under penalty of perjury under the laws of the State of California that the  
16 foregoing is true and correct and that this declaration was signed on November 12, 2012 at  
17 Emeryville, California.

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20 LORI MCADAMS



**EXHIBIT 1**  
**FILED UNDER SEAL**